

## 1997 SMALL BUSINESS PROFILE

### SMALL BUSINESS: BACKBONE OF THE ARKANSAS ECONOMY

The importance of small business to the state of Arkansas is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

**Number of Businesses** - In 1996, Arkansas had 57,808 businesses with employees; 97.3 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 77,000 self-employed persons in 1996, for an estimated total of 134,808 businesses.

**Small Business Income** - The income of sole proprietors and partners rose 6.3 percent to \$3.7 billion in 1996, while wage-and-salary income rose 5.1 percent. Total personal income rose 5.3 percent to \$28.8 billion. The state also exported \$2.0 billion of goods in 1996.

**Minority Businesses** - According to The National Foundation for Women Business Owners, as of 1996, there were 67,900 women-owned businesses in Arkansas, including part-time firms, employing 141,100 people and generating \$15.5 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 76.0 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 30.6 percent from 1987 to 1992, totaling 5,738 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 116.4 percent during the same time period with 701 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 658 in 1987, to 1,214 in 1992, representing an 84.5 percent increase.

**Business Turnover** - The number of new firms increased 4.3 percent, while new business incorporations decreased 4.6 percent in 1996. Financial difficulties leading to business bankruptcies increased by 15.2

percent and business failures increased by 36.1 percent during 1996.

**Finance** - An SBA Office of Advocacy study found that the number of banks in Arkansas decreased from 257 in 1994 to 239 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

Bank Name	Location
CADDO FIRST NB	Glenwood
FIRST BK OF AR	Wynne
BANK OF EUREKA SPRINGS	Eureka Springs
PIKE COUNTY BK	Murfreesboro
BANK OF YELLVILLE	Yellville
BANK OF SALEM	Salem
FIRST NB OF RUSSELLVILLE	Russellville
HORIZON BK	Malvern
FIRST NB OF PHILLIPS COUNTY	Helena
FIRST NB IN MENA	Mena
FIRST NB	Searcy
UNION BK OF BENTON	Benton
FIRST NB OF SHARP COUNTY	Ash Flat
FIRST BK OF ARKANSAS	Russellville
PEOPLES B&TC	Mountain Home
ARKANSAS ST BK	Clarksville
FIRST NB OF FORT SMITH	Fort Smith
MERCANTILE BK OF CNTRL AR	North Little Rock

**Job Growth** - Small businesses created all of the net new jobs from 1992 to 1996. Very small businesses (less than 20 employees) represented 74.5 percent of the small business growth with 60,011 new jobs. These numbers clearly reflect the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	38,237	21,774	13,626	6,961	(4,028)	76,570
Manufacturing	897	2,236	1,843	1,566	(4,344)	2,199
Retail Trade	7,517	4,650	3,213	1,989	(3,075)	14,292
Services	20,138	9,077	6,706	3,663	8,477	48,061
Other	9,685	5,811	1,864	(258)	(5,085)	12,018

**Industries** - The composition of small business in Arkansas is very diverse. The Health Services industry is the largest small business employer in Arkansas, followed by Eating & Drinking Places. The fastest growing

industry for small business is Textile Mill Products (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1994, the latest year available.

Table 1, Top Five Industries in Arkansas by Employment, 1994

Industry	SIC	Employment Total	Percent of Total	Percent Small
Total - All Industries	1	842,704	100.0	51.4
Health Services	8000	97,287	11.5	43.4
Eating & Drinking Places	5800	55,170	6.5	68.7
Food & Kindred Products	2000	53,442	6.3	7.6
Business Services	7300	42,926	5.1	41.2
General Merchandise Stores	5300	36,438	4.3	1.8

Table 2, Top Five Small Business Industries in Arkansas by Employment, 1994

Industry	SIC	Employment in firms with 0 - 499 employees	Percent of Total	Percent Small
Total - All Industries	1	432,824	100.0	51.4
Health Services	8000	42,211	11.5	43.4
Eating & Drinking Places	5800	37,918	6.5	68.7
Special Trade Contractors	1700	21,726	2.6	97.5
Wholesale Trade - Durable Goods	5000	19,429	2.9	79.6
Automotive Dealers & Gasoline Service Stations	5500	18,620	2.6	86.4

Table 3, Fastest Growing Industries for Small Business in Arkansas, 1993 - 1994

Industry	1993	1994	Amount Change	Percent Change
Total - All Industries	429,384	432,824	3,440	0.8
Textile Mill Products	696	1,130	434	62.4
Rubber & Miscellaneous Plastics Products	3,232	3,661	429	13.3
Hotels, Rooming Houses, Camps, & Other Lodging Places	6,815	7,586	771	11.3
Local & Suburban Transit & Interurban Highway Passenger Transportation	1,136	1,251	115	10.1
Building Construction	8,552	9,413	861	10.1

**Sources:** Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal

Reserve Board, Dun & Bradstreet Corporation, National Foundation of Women Business Owners, and Cognetics Inc.